

Project Agreement Standards

in Washington State Government

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PROJECT AGREEMENT STANDARDS
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Background:

RCW 43.105.190 requires mutual agreement on plans to fund and implement major Information Technology (IT) projects by the responsible agency head, the Department of Information Services (DIS), and the Office of Financial Management (OFM). This achieved through the project agreement.

Purpose:

The project agreement formalizes and communicates expectations for project scope, schedule, budget, and benefits. It helps avoid surprises over project results among executive branch agencies and the Legislature. The project agreement also:

- Sets agreed upon baselines to assess progress.
- Documents assumptions which must hold true for the project to satisfy expectations.
- Provides a vehicle to reset project expectations if changes occur.

Application:

A project agreement is prepared for a major IT project if the project is subject to budget proviso or ISB oversight, and is active on or after July 1, 1993.

The project agreement is prepared after completion of the requirements definition, the general design, a feasibility study, and after funding (type 2 or type 3) has been appropriated or granted. Expectations in the project agreement are initially based on these preceding project deliverables.

The project agreement is the primary document which sets expectations for the project among the stakeholders. The responsible agency head will commit to the completion of this project within the parameters of this agreement and will not continue the project without amending the agreement if so prompted by a parameter change. If the agreement is amended, it will be based on current project documentation such as the budget, schedule, and cost benefit analysis and will no longer be based on the initial feasibility study.

The project agreement will be kept up to date and will remain in effect until the project is complete.

Timing:

The project agreement is established after clear project estimates have been developed through requirements definition, general design, a feasibility study, and after project funding has been appropriated or granted. In most cases, the agreement will be prepared within 90 days of the appropriation or grant.

Amendment Process:

An amendment to the project agreement is required with a significant change in project scope, a change in the responsible agency head, or when a variance of ten percent (or a negotiated percentage defined in the original agreement) occurs to any of the following items or others as indicated by the parties involved in the original agreement:

- Scheduled Completion Date.
- Total Development Cost.
- Total Net Cash Flow.
- Net Present Value.

Amendments require approval by the agency heads listed on page 4. Any party to the agreement may initiate an amendment. The revised agreement should state the cause of the amendment.

Amendments typically occur during a key decision point review.

If the parties cannot agree to a proposed amendment, the project scope, schedule, and cost and benefits will be renegotiated to mutual satisfaction, or the project will be halted according to budget proviso or project oversight procedures.

Project Agreement - Outline

I. Project Agreement Cover Page

The cover page contains the critical elements of the project agreement and signature blocks for approval.

- A. Project Description: Include a brief description of the purpose of the project in nontechnical terms.
- B. Project Scope: Include one to two paragraphs defining the project scope in terms of the specific business functions the project will support. Refer to an expanded definition of project scope (Section III, Part B) in the supporting material if necessary.
- C. Scheduled Completion Date: Include the scheduled project completion date.
- D. Total Development Cost: Include the current total development cost estimate for the project from the cost benefit analysis model approved by the ISB in May 1992. This figure should only include type 2 and 3 funding requests.
- E. Total Net Cash Flow: Include the sum of the net cash flow line from the up-to-date cost/benefit analysis.
- F. Project's Net Present Value (NPV): Include the current NPV for the project based on the cost/benefit analysis model.
- G. Summary of Benefits: Include a brief list of tangible and intangible benefits for the project.
- H. If an amendment occurs, the cover page will list both the original and current versions of the material above. The cover page should briefly state the reason for the amendment.
- I. Signature blocks for approval. Signatories are:
 - 1. Responsible Agency Head.
 - 2. Director, Office of Financial Management.
 - 3. Director, Department of Information Services.

The supporting material in Section II will be included in the project agreement.

Exhibit A on the following page contains the cover page for a project agreement.

PROJECT AGREEMENT COVER PAGE

Project Name: _____

Agency Name: _____

Project Description: _____

Project Scope: _____
(Ref. Section II, part B)

Scheduled Completion Date: _____ (Ref., Section II, Part C)

Total Development Cost: \$ _____ (Ref., Section II, Part D)

Total Net Cash Flow: \$ _____

Net Present Value: \$ _____

Summary of Benefits: (Ref., Section II, part E)

The undersigned agree on the scope, schedule, cost, benefits, and assumptions for this project as listed in this agreement. The responsible agency head commits to the completion of this project within the parameters of this agreement and will not continue the project without amending this agreement if so required by a parameter change.

Responsible Agency Name: _____

Date: _____

Approved: _____

Department of Information Services

Office of Financial Management

Date: _____

Date: _____

Approved: _____

Approved: _____

II. Supporting Material for the Project Agreement

The baseline information below should be described in terms of observable results so that questions can be answered unambiguously.

- A. Causes of an amendment to the project agreement (if applicable):
 - 1. State the factors or events which caused a change to one or more elements listed on the cover page of the agreement. Use this section if causes could not be completely stated on the cover page.
- B. Project scope and objectives (1 - 2 pages):
 - 1. Project scope (Defined in nontechnical terms).
Provide a complete definition of project scope if one could not be included on the cover page. Definitions could include:
 - Major business functions or processes supported.
 - Related functional areas outside the project scope.
 - Organizational context (work group, agency wide, state wide).
 - 2. Project objectives:

List the measurable results which will be achieved as a result of completing this project.
 - 3. Changes in the project based on differences between the funding request and the appropriation received for the project:
 - Funding provided vs. feasibility study costs.
 - Changes to scope and objectives.
 - Changes to approach and schedule.
 - Changes in project budget.
 - Changes to benefits.
- C. Project schedule (1 page):
 - 1. Project phases:
 - Identify each phase of the project, including start and end dates.
 - Identify key milestones among the phases with respective dates.
 - Identify which milestones (such as phase completion) will be key decision points.

At a key decision point, the project is evaluated by the parties to the agreement and a go/no-go decision is made. Amendments to the project agreement are considered at these points, but may also be considered whenever changes are evident. A key decision point may result in release of incremental funding.

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D. Project costs (1 page):

Total project costs represent the amount necessary to complete the project from the end of the feasibility study forward, and reflects the appropriation or grant needed to conclude the project.

If project costs or benefits change according to the criteria for an amendment, the cost benefit analysis must be updated. The new estimates should be reflected in this agreement.

1. Total project costs:

- From the current Cost Benefit Analysis (CBA), list the total development cost, total operations cost, and total project cost.
- Describe changes in operational costs over the current system for funding periods following implementation.

2. List total project costs by funding source:

- For the present funding period (fiscal year or biennium).
- For future funding periods spanning development.

3. Funding increments:

- Show planned expenditures through each key decision point.
- Determine key decision points at which funding increments should be released.

4. Identify and explain significant one-time expenditures.

E. Summary of benefits (1 - 2 pages):

1. Tangible benefits:

- Briefly itemize net tangible benefits per year.

(The current CBA, as formatted in the feasibility study, could be used here.)

2. Intangible benefits:

- Briefly itemize intangible benefits emphasizing their relationship to accomplishment of agency business and service objectives.

(Use observable events or conditions to describe benefits rather than general statements. For example, instead of stating that customer service will improve, state that customer wait time will decrease 30 percent or identify specific information which will allow better service decisions.)

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F. Project assumptions (1 page):

Document important assumptions which must support the project to satisfy the scope, schedule, cost and benefit commitments on the cover page.

G. Administrative agreements (1 - 2 pages):

1. Define the conditions which will initiate an amendment to the project agreement, including the percentage change in the elements on the cover page, any significant change in project scope, or a change of the responsible agency head.

2. Stakeholder communications.

- Description of reporting to stakeholders.
- Notification requirements if project plans or assumptions change.

3. DIS and OFM review and approval responsibilities.

Use this section if other regulations than those defined in existing policy apply.

4. This agreement will be initially developed by the responsible agency in coordination with DIS and OFM.